MINUTES PROPOSED FOR ADOPTED BY CITY COUNCIL

Greenville, NC March 21, 2005

The Greenville City Council met in a regular meeting on the above date at 5:00 PM in the City Council Chambers, third floor of the Municipal Building, with Mayor Robert D. Parrott presiding. The following were present.

Mayor Robert D. Parrott
Mayor Pro-Tem Ric Miller
Council Member Mildred A. Council
Council Member Ray Craft
Council Member Pat Dunn
Council Member Rose H. Glover
Council Member Chip Little
Wayne Bowers, City Manager
Wanda T. Elks, City Clerk
David A. Holec, City Attorney

PRESENTATION AND DISCUSSION OF GREENVILLE UTILITIES COMMISSION FY 2005-2006 BUDGET REQUEST

Mr. Ron Elks, General Manager of Greenville Utilities Commission, stated that the proposed Greenville Utilities Commission budget for FY 2005-06 is not balanced at this time. Budget goals for this year are to meet customer demands, continue to meet regulatory requirements, minimize rate increases, avoid future rate shock, ensure economic viability of funds, preserve bond ratings of each of the Greenville Utility funds, continue to operate effectively and efficiently and be prepared for emergency situations. Mr. Elks informed the Council of the following budget challenges for the upcoming year:

- Revenue growth and consideration of future debt for new projects.
- Projected health insurance increase of 12% for the next calendar year.
- Electric wholesale rate increases. Greenville Utilities absorbed a 1% wholesale rate increase in March for the purchase of power. This increase has not been passed along to the customers, and another 2% to 3% increase is expected before the end of the FY 2006.
- Cost of fuel for generation plants and coal is going up and this is driving up the cost of wholesale electricity.

Mr. Elks reviewed the revenues and expenditures of the various funds as follows:

	<u>Revenues</u>	Expenditures
Electric Fund	\$143,963,100	\$144,881,892
Water Fund	\$ 10,723,300	\$ 12,114,065
Sewer Fund	\$ 12,228,005	\$ 13,219,565

Gas Fund	\$ 26,994,132	\$ 27,258,045
All Funds	\$193,908,537	\$197,473,567

The highlights of the budget include

- Automation of performance measures for the On The Mark Strategic Plan.
- Following up on results of the recent employee survey in addressing challenges that were identified.
- Addressing the customer service-training curriculum for all employees with an in house training curriculum focusing on customer service.
- Additional automatic meter reading installations.
- Key Accounts Program.
- Infrastructure replacements for some of Greenville Utilities' buildings and roof replacements at several facilities that are now in the 20+ year range.
- New Projects such as a dewatering facility for the residuals program at the wastewater treatment plant and a couple of substation and transmission line upgrades.
- Merit Program and allowance for a market adjustment if approved by the Joint Pay and Benefits Committee.

Mr. Elks informed the Council that the new positions being requested in the budget include a Gas Service Worker in the Gas Department; a Water Treatment Operator in the Water Resources Department; a Tree Trimmer I and II, a Line Worker 2nd Class and 3rd Class in the electric Department; and a Customer Records Clerk and Meter Technician in the Support Services Department. There are also some existing part-time positions that will be requested to go to full time positions.

Mr. Elks concluded by stating that the budget does not include new debt service for an existing major water project because staff may be able to obtain state revolving fund loan money for that project. If so, Greenville Utilities will be able to borrow the money at half the cost of market value. There are no rate adjustments for operating funds, and at the present time the increases in wholesale power cost are not accounted for on the revenue side.

Questions asked by the Council Members and responses given were as follows:

From the gas fund there is \$35,000 for Pitt County Development Commission. What is that for? (RESPONSE: That question will be addressed when the final budget is presented to Council.)

Do you see most of Greenville Utilities Commission's adjustments coming out of capital outlay? (RESPONSE: One of the things that Greenville Utilities Commission will do is look at the operations and maintenance costs very closely. Everything that can possibly be done is done to control the costs as tightly as possible. Capital is certainly one of the first places they look, but they have to be careful to not rob from one to pay another. It may be possible to put off some capital for a year or two, but one has to be careful about that. Greenville Utilities Commission has to be able to accommodate orderly growth of the community and to be able to meet the regulations, and capital is a big part of that. If they can defer projects, then they will. What they

would like to try to do is to make sure that they are at the appropriate point on the infrastructure needs curve. There is a cost there from a regulatory side as well.)

I know with the growth that we are having it is tough to keep up with the infrastructure needs. Do we have fund balance that we can use to do that with?

(RESPONSE: Greenville Utilities Commission does have good fund balances. They have had good leadership and healthy fund balances, but they have to be careful with those because the needs change. They tend to look at those numbers sometimes in absolute terms, and they need to be looked at in terms relative to what the needs are. There are some minimums that need to be maintained for the Local Government Commission in order to be able to pay the wholesale bills that come in each month. Emergencies have to be covered as well. Greenville Utilities tries to ensure that there is enough there to be able to cover a major disaster. The Greenville Utilities Commission has tried in years past to put some money into rate stabilization so that when increases are seen coming they can be warded off a little by taking some money out of rate stabilization. The Commission takes great pride in looking at multiple years out rather than a single year view. It is less expensive to a customer to implement a small rate increase earlier that will then accrue over time rather than hit the customer with a big one later.)

Where is the staff for Information Technology and Customer Service listed in the budget? (RESPONSE: Each of the funds operates as a separate enterprise fund. Essentially it is like a separately run business that has to stand on its own. The Commission has three operating sections: Electric, Water Resources, and Natural Gas and they basically pay the other departments. For Fleet Maintenance, Warehouse Inventory, Information Technology, and Human Resources it operates like a private business in that there are costs associated with those.)

I have had some calls about very extravagant light bills of \$500 and \$700 for senior citizens. Is that because of the cold weather and is it going to get better as it gets warmer?

(RESPONSE: Greenville has had some cold weather. The way Greenville Utilities Commission measures cold weather is through a technique called heating degree days and right now, March in terms of heating degree days is on pace to set a record for being colder than it has in some time. Last year during the last three weeks of March it was very warm. The rates have not changed, and cold weather does lend itself to higher bills because of consumption. Sometimes houses can be well insulated, but the HVAC units may not be functioning quite at optimal efficiency. Sometimes it is a question of how the thermostats are set or even a faulty thermostat. Greenville Utilities Commission has a great Energy Services staff that will go out and perform energy audits on homes and businesses at no cost to customers. They make written recommendations that can lower the customer's bill. The Energy Services staff will perform tests on the customer's ductwork, windows, doors, leakage of air to and from the home, the way the HVAC system performs and they will also do a water audit to make sure there are no water leaks that are contributing to the customer's bill.)

You said wholesale rates increased in electricity, do you anticipate any increase in gas? (RESPONSE: The gas prices fluctuate with the market. Greenville Utilities Commission has not changed the margin that is used for operations, maintenance and capital outlay. Gas prices are volatile; it is one of the fuel prices that is very volatile now. Greenville Utilities Commission will be challenged in this upcoming budget with the fuel prices and how they affect businesses and what they will be able to do.)

PRESENTATION AND DISCUSSION OF CONVENTION AND VISITORS AUTHORITY 2005-06 BUDGET REQUEST

Ms. Debbie Vargas, Executive Director of the Convention and Visitors Bureau, stated that the Convention and Visitors Bureau and the Convention Center are funded entirely off receipts and reserves from the Pitt County Hotel Motel Tax and does not depend on subsidy from the City of Greenville. This budget reflects the first three cents of occupancy tax collected in Pitt County. The second three cents goes to retire the debt on the Greenville Convention Center and is not reflected within the budget.

The Convention and Visitors Bureau is responsible for marketing the City and County as the destination for travelers and utilizes two of three cents of the fiscal year revenues. The Greenville Convention Center is becoming the conference and meeting destination of choice in Eastern North Carolina by providing quality facilities, excellent service and total guest satisfaction. The Convention Center utilizes the one of three cents for marketing. Exhibit Hall Managers operates the Convention Center as a private company contracted by the City and utilizes no public funds for its operations. The Greenville Convention Center has now been operational for three years this May. Results have exceeded expectations with regard to bookings. The most recent results are from FY 2003-2004 indicating that the center has successfully hosted 182 event days during that period and realizing \$8.15 million in economic impact into the community. Also during this period, the Bureau staff was responsible for convincing 92 groups to choose Greenville as their destination generating 12,035 hotel room nights. Comprehensive services were provided for over 225 groups and over 9,300 requests for visitor information were fulfilled.

Ms. Vargas informed the City Council that the Convention and Visitors Authority held a recent planning session in January 2005. A follow-up session was held in February to further refine the results from the initial session. Three priorities established from the two meetings were to become an engine for bringing outside visitors to Greenville and Pitt County, to establish a campaign to market multicultural assets to diverse visitors, and to market in a manner that potential visitors realize that Greenville and Pitt County have leisure interest for the entire family.

The proposed Convention and Visitors Authority budget incorporates funding in areas to help meet more specific objectives under each of the main goals. The budget includes less for revenues than the previous budget, because the total occupancy tax receipts were down 7% during the current year. It is hopeful that the current year will end with an approximate 3% decrease in revenues. This follows an increase in an inflated prior fiscal year. A lot of area coastal and river towns had hurricane and flood issues and their hotels and other support services were closed down. Greenville was fortunate not to have those problems and recovery crews located in Greenville. Because of this, in September a year ago, the occupancy tax was up 37% and this explains why the Bureau is not very concerned with a 3% decrease.

Ms. Vargas informed the City Council that the total budget for FY 2005-06 is \$721,868. This is a balanced budget although it is balanced using reserves. \$557,000 is projected to come from revenues and interest from the occupancy tax receipts that will be realized during the fiscal year.

\$71,283 is projected to come from the Convention and Visitors Bureau's undesignated reserves to help operations. \$20,000 will come from the designated tourism project reserves, and \$71,283 will come from the Exhibit Hall Managers Convention Center Marketing Reserve.

Facing the future fiscal year, it is the Bureau's firm belief to focus our resources on aggressive sales to compete successfully with the growing competition. This will be conducted through oneon-one sales calls, blitzes, participation in key trade shows, industry events, hosting promotional events, comprehensive services and targeted advertising schedules and these are reflected in the proposed budget. The Bureau staff is comprised of four full time positions. An allotment has been included in the budget to allow for the appropriate market and merit adjustments, which would be in line with what is offered by the City of Greenville and Greenville Utilities Commission. An allocation has also been included that will allow the Bureau to implement a sales incentive program for a premium of booked business. The Authority's biggest increase on the benefit side has been from hospitalization. Operational expenses across the board are basically in line with the past year's allocations. Any slight increases would be for general cost The authority receives periodic request for funding special various community initiatives that have an impact on travel and tourism, and allocation has been included to allow the Authority flexibility to approve funding for projects deemed appropriate and would be based on the validity of the request and the availability of funds. The Convention Center's marketing account reflects one cent of the occupancy tax that goes to Exhibit Hall Managers to market the Convention Center plus any budgeted reserves.

Questions asked by the Council Members and responses given were as follows:

Do you have a balance in the two reserve accounts that you are balancing your budget with? (RESPONSE: There was \$931,000 in reserves as of the last fiscal year. A lot of that has come from the number of years it was thought they would get a convention center and did not. Money continued to be put aside during that time. In September 2000, 1/3rd of the funding that the Convention and Visitors Bureau was funded off of was diverted to marketing the Convention Center to Exhibit Hall Managers. The Authority is now diverting \$180,000 of incoming revenues to marketing of the Convention Center, and the Convention and Visitors Bureau has \$180,000 less. The Board recently passed a reserve policy to protect the Authority over the coming years and into the future to make sure the funds are used wisely.)

What are the marketing monies mostly used for? What media do you use to do that with or is that mostly travel?

(RESPONSE: For the overall marketing of sales, they try to target their efforts, which are a combination of direct sales, which would involve travel, participation in professional organizations and participation in trade shows. They are very fortunate to have an Association of North Carolina Executive Group that is meeting planners and suppliers. There is Marketing Professionals International Carolina's Chapter, which is also meeting professionals and suppliers. The Authority also advertises primarily in southeastern publications that focus on either the size of the center, on North Carolina or sometimes on the southeastern regions. Very defined publications are picked that Greenville has a niche for and they focus on a lot of publications that people will keep on their desk for a year. It is a combination of sales calls, trade shows, promotional events and then placed ads.)

PRESENTATION AND DISCUSSION OF SHEPPARD MEMORIAL LIBRARY FY 2005-06 BUDGET REQUEST

Mr. Don Marr, Chair of Sheppard Memorial Library Board of Trustees, reported that the Board approved the proposed budget on March 16, 2005.

Mr. Willie Nelms, Director of Sheppard Memorial Library, reported that the budget represents the operating costs for the main library, four branches and the Pitt County Bookmobile. The usual procedure was followed to develop the budget for the library. Like any organization staff compiled the Library's needs, computed the cost of those needs, and figured income from various sources. Because there is a funding arrangement between the City of Greenville and the County of Pitt, all the other sources of funds are taken away and an amount is arrived at to request from the City of Greenville and the County of Pitt. The amounts from the City and the County are in the same proportion (two parts City/one part County) that has been used to divide costs over the years. The amount of money needed to operate the Bethel and Winterville branches is reflected in the revenues requested from each town and in revenues staff projects to collect from operation of these facilities. The library receives approximately 12% of its total budget from state aid. Anticipated revenues are set at the level that the library received during the current fiscal year. This is anticipated revenue recommended by the State Library of North Carolina. The library has applied for a Federal Library Services and Technology Act Grant and will find out the actual status in early June for funding in FY 2005-2006. This is money that staff is counting on to buy 21 computers for the expanded Carver Branch Library. The amount the Library is asking for from the City for the FY 2005-2006 budget is \$925,118.

Mr. Nelms stated that like most levels of government, a lot of the library's expenditures are personnel operating costs. Personnel, collections (Books and Materials), utilities and basic expenses account for almost 85% of the library's budget. The budget includes an additional ½ time staff member to work at the newly expanded Carver Library. The Library follows the City of Greenville Personnel Plan. This budget includes a 3.9% market adjustment as was provided last year by the City of Greenville to its employees. If this amount changes, then the funds requested from the City of Greenville and the County of Pitt for market adjustment will be changed accordingly.

Mr. Nelms informed the City Council that under operating expenses, utilities reflect a 4.5% increase based on current year's experience plus the additional cost of operating Carver Library for the upcoming year. Equipment maintenance includes contracts for library computer hardware and software and maintenance contracts for other equipment. Library services over the years are growing in use of computers. There are over 150 computers in the library's system. The vast majority of the computers are available for public use. Public libraries are facing the challenge of providing a lot of periodicals on-line that use to be available only in paper. There is a three percent increase in cost of audiovisual materials; there is an equal amount of money from income to cover the LSTA Grant to purchase the 21 computers for Carver Library. Under the capital outlay, funds are included to replace 20 computers that will be at least five years old this year. This follows the library's computer replacement policy. The total Library budget is \$1,984,203.

Questions asked and responses given regarding the Sheppard Memorial Library budget were as follows:

You indicated that you are working to get some of the periodicals on-line. Is that a savings in money or a way of saving space on your shelves?

(RESPONSE: It is not just periodicals. There are other reference resources that the library gets that would not be affordable in a paper format. Popular magazines are not going to be replaced or canceled, but there are new resources coming on-line all the time. This is a very exciting time, having the opportunity to provide resources on-line. Some resources are provided by the State of North Carolina through NC Live, and Sheppard Library has joined together with a consortium of other public libraries in North Carolina to increase buying power and negotiating contracts through the North Carolina Public Library Directors' Association to allow libraries better prices.)

The improvement that we are doing to Carver Library through the COPS financing were not shown.

(RESPONSE: The budget before you is the operating budget.)

Has the grant for computers at Carver Library been approved?

(RESPONSE: That will not be announced until June. If those funds are not received, staff will have to look for another funding source.)

In this budget, what are the additional costs for Carver Library after the expansion?

(RESPONSE: It breaks down to the part-time personnel and then the additional utilities. The building was originally built in 1962, and the size of that has doubled. With the new HVAC system, they may be able to save some money.)

You are appropriating about \$100,000 from your fund balance. What is the balance of the fund balance?

(RESPONSE: The audited fund balance at the end of June 30, 2004 was \$570,565, and \$99,509 of that was appropriated in this year's budget. Mr. Nelms proposed appropriating a comparable amount in the upcoming budget as well.)

What increase have you seen in the cost of books over the last three to five years?

(RESPONSE: They remain fairly constant and have not changed that much. Periodicals have not seen that same level, but that is a different business. Book costs have been fairly stable and they get good discounts.)

You were saying that staff would be added on for an additional 20 hours per week. Does that mean the hours will be extended?

(RESPONSE: No, it does not.)

PRESENTATION AND DISCUSSION OF PITT-GREENVILLE AIRPORT AUTHORITY FY 2005-06 BUDGET REQUEST

Mr. Jim Turcotte, Manager of Pitt-Greenville Airport, informed the City Council that his remarks would focus only on the Economic Stimulus Plan for the Pitt-Greenville Airport. This is the

20th year that the Pitt-Greenville Airport Authority will not be requesting any City or County funding for their operations budget, which will be approximately \$2 million. The Airport Authority will not be requesting any City or County monies to be utilized toward the Capital Improvement Program. Mr. Turcotte stated that this has been a very scary year regarding the liability and the continuation of the airport's carrier because the outlook was as bad as he had ever seen it. He reminded the Council that the Economic Stimulus Plan was designed to halt the exodus of high dollar value on aircraft in the Pitt-Greenville Airport to other surrounding counties that offer a more favorable tax structure or other incentives. This proposal was introduced in the summer of 2003 and for the next 18 months the Airport Authority drafted a plan that was proposed to both the City of Greenville and Pitt County this past November. Both bodies adopted the plan, which was implemented on January 1, 2005. The plan runs from January 1 to December 31. The Economic Stimulus Plan has proved to be successful. The Authority brought in approximately \$10 million worth of new aircraft since implementation. The introduction of these aircraft and the monies that they will pay will fund the plan. It did not cost the City or the County any money. This year the Authority is asking for a few dollars more and the reason is because the Authority is assured that the Airport will have anywhere from \$6 million to \$8 million dollars worth of new aircraft on the books next January. If this does not come to past, then the money will not be spent. The money will only be expended when the events fall into place. The Authority believes in staff's projection and the City will generate more money than it has put in and will be above the revenue neutral.

Questions asked and response during the presentation of the Pitt-Greenville Airport Authority budget were as follows:

Kinston is advertising no parking fees. Is that because they have money to subsidize parking? (RESPONSE: It is a state owned agency, which means they do not have to generate any revenue. All expenses are paid for and they do not have to charge.)

I think what you were most interested in was the price war.

(RESPONSE: It is right now. The price of fuel is \$2.16 a gallon and it is not getting any better. The price of jet fuel has gone up, but the price of airline tickets is going down.)

How does the cost of flying out of Greenville compare with the cost of flying out of other airports within our area?

(RESPONSE: In March of 2004 when the airlines finely took heed to what we have been saying for years is that our pricing needs to be in parity with RDU and that there is a 70% leakage rate, meaning that 70% of people within their district who could fly out of Greenville were driving to Raleigh. At that time US Airways, who is the airport's sole carrier, did not drop the pricing so it was in line with RDU. They are going to get a premium, but it is still less expensive and more convenient to operate out of Greenville. Because of the drop in fares, the Authority's numbers since last March have been up in the 40 to 50 percentile each and every month. The Authority is making more money in the parking lot than ever before.)

US Air added a new flight several months ago?

(RESPONSE: It was about 6 weeks ago and it is hoped that there will be some other announcements in late spring or early summer.)

CITY COUNCIL FEEDBACK ON INFORMATION PRESENTED, ADDITIONAL INFORMATION DESIRED BY CITY COUNCIL, AND DISCUSSION OF NEXT STEPS TO ARRIVE AT A BALANCED BUDGET

Upon being asked if the Council felt they would like to have the April 4 meeting to discuss the budget, Council Members indicated they would prefer to wait until they have a balanced budget to have the meeting.

Motion was made by Council Member Little and seconded by Mayor Pro-Tem Miller to cancel the April 4th meeting. Motion carried unanimously.

ADJOURN

Motion was made by Mayor Pro-Tem Miller and seconded by Council Member Dunn to adjourn the meeting at 6:00 p.m. Motion carried unanimously.

Respectfully submitted,

Wanda T. Elks, CMC City Clerk